

**Keynote Address by Hon. Tung Chee Hwa**  
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**of the People's Republic of China**  
**At the Opening Ceremony of the 14<sup>th</sup> General Meeting of PECC**  
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Dr Fung, Mr Romulo, Your Excellencies, ladies and gentlemen,

Let me say how delighted I am to be here this morning, among so many good friends of Hong Kong. Hong Kong is very honoured to host the 14th General Meeting of PECC. The theme for the meeting "Managing Globalisation in the 21st Century" is most timely. China's accession to the WTO and the successful outcome of the Doha Ministerial Meeting on an agreement to begin a new round of WTO negotiation will add new momentum to further the liberalisation of trade and services, promote closer economic interdependence among economies, and speed up the process of globalisation.

Globalisation and the free flow of people, money, trade and services go hand in hand. The rapid advances of IT and the increased efficiency in transport and logistic networks have brought the world much closer together. Indeed, the trend of globalisation cannot be reversed. Globalisation allows us to access markets in every part of the world; therefore, creating immense opportunities for all. If we manage it well, globalisation can create a truly global community in which peace is secured and wealth and prosperity are shared.

In Hong Kong we not only believe in free trade and services but we have also benefited tremendously from it. For eight years in a row, we have been ranked by the Heritage Foundation, a major think tank in the US, as the world's freest economy. Indeed, Hong Kong's success today as a major international trade and financial centre, enjoying one of the highest per capita income in the world, is an embodiment of the benefit of free and open trade and services.

China offers another good example. The opening up of its economy to the world since 1978 has created the biggest economic miracle never before in the history of mankind. The improvement to standards of living to so many people in so short a period of time since 1978 is beyond anyone's wildest imagination. The Pearl River Delta, just across the border from Hong Kong is one of the most open regions on the Mainland of China; it is also one of the most prosperous and dynamic regions on the Mainland. The correlation is not a matter of coincidence but a strong proof of the relationship between open economy and prosperity.

If one needs one more example, at the APEC Leaders Meeting held in Shanghai a month ago, President Bush told Leaders that the US/Mexico border used to be a semi-desert good only for making cowboy films. It is now the most economically dynamic and prosperous region in North America after the signing of NAFTA, enjoying the full benefits of free and open trade.

However, we have to recognise there are voices of concern or unhappiness out there about globalisation. We should not dismiss these voices out of hand, for indeed, for globalisation to bear full fruit in developing economies, there are indeed many challenges. The harsh reality is in a global economy; we have to compete not only with our neighbours next door but also with every other economy in the world. Success depends on how best one is able to make use of the cheapest resources, lowest labour cost, most efficient means of production and fastest means of transport from one part of the world to another. The success also depends on the speed with which bright ideas are turned into marketable products or services. The developing economies are rightly concerned because very often they do not have the resources, or the human capacity, or the political and financial institutions to compete efficiently with others in this world. To enable the benefits of globalisation to be shared by all, developed economies have to help developing economies by transferring knowledge and technology, helping them to

improve their capacity building, so that they are better equipped and more able to participate in the global economy. In turn, developing economies have to upgrade their human capital and fiscal infrastructure, improve government transparency and efficiency, and provide good corporate governance and business friendly environment to attract foreign investment. Above all, these economies must build up the necessary political and financial institutions to carry forward the challenges of globalisation.

To manage the challenges of globalisation, we have to also bear in mind that in a global community, just like in any community, we have to have division of labour. We cannot keep doing things others are doing, unless we can do it better, faster or cheaper, or unless we can provide value which others cannot provide. In short, we have to find our niche. We have to position ourselves by identifying our strengths and weaknesses, particularly our strengths and keep building on these strengths.

Let me go back to the challenges we are facing in Hong Kong in managing globalisation. But before doing so, let me say a few words as to how we had been able to successfully meet another challenge under the major change in Hong Kong- the implementation of "One Country, Two Systems" concept here in Hong Kong. On 1 July 1997, China resumed sovereignty over Hong Kong. One hundred fifty six years of colonial chapter drew to a close and the Hong Kong Special Administrative Region was born, ushering a new era in which Hong Kong moves forward under the concept of "One Country, Two Systems". The historic mission for Hong Kong is to turn this innovative concept into an everyday reality. Over the past four and a half years, with the firm support of the Central Government and the determination of the people of Hong Kong, we have successfully achieved this mission. The successful implementation of the "One Country, Two Systems" concept can best be demonstrated by the enormous inflow of capital into Hong Kong as well as the return of many, many Hong Kong residents who migrated overseas before 1 July 1997.

Like other economies in the region, our economy is facing the need for restructuring as a result of globalisation and rapid development of IT. The rapid development of Chinese economy has given us new opportunities as well as new challenges. While undertaking the needed structural reform, our economy has also been affected by the cyclical downturn around the world. The September 11 events have brought about deepening economic uncertainties around the world and in Hong Kong. Our earlier forecasts have to be significantly revised. More jobs will disappear before they re-appear. Government revenue will fall short of its target, whereas expenditure will rise, in part because we will need to spend more to take care of the greater number of people who need to be taken care of in this downdraught. We will be running an unexpectedly large budget deficit this year.

In such a situation, a good government does two things: it must respond quickly to the vagaries of the moment and deploy resources in a timely manner to solve the problems of the day, and, perhaps more importantly, it must keep in mind and not lose sight of the bigger picture, of the trends, of the forces driving things in the long term. For the short term, faced with a serious cyclical downturn, we devised some short-term relief measures to relieve the financial burden of our citizens. Additionally, the Government will be speeding up public works projects and enhancing much needed social services and, by so doing, creating over 30,000 new jobs within the shortest possible time to arrest the rise of unemployment.

But while we are grappling with these short-term issues, we have not lost sight of our long-term vision, the vision of making Hong Kong not only a major city in China, but also Asia's world city excelling in high value added services. Central to our policy thinking and activities is how we can as a society build upon our competitive advantage, successfully restructure our economy, make the transition to a knowledge economy from our current starting point in the shortest time possible, ride the waves of progress of China with the greatest success and least economic and human dislocation, adapt

ourselves to the era of a globalised competition, and in the end come up with an economy that can perform brilliantly in the most demanding and competitive situation.

Hong Kong has a number of competitive advantages which many other cities in Asia would be very envious of. The first and foremost is our open society, an independent judiciary, a transparent and efficient government, a level playing field, a business friendly environment, free flow of information and capital and all of which make us one of the best places of doing business.

Another one of our competitive advantages is our geographical location. We are ideally located as a gateway to the Mainland of China to take advantage in the rapidly developing China's economy. We are also in the heart of Asia, which makes us the natural hub for doing business in Asia as a whole.

One of our distinctive competitive advantages is the "clustering" of professional services. We have over 400 financial institutions and banks, probably more than any other places in the region except Japan. It is not just banks, there are lawyers, accountants, and all other support services that you need to manage your business in the region.

Finally, our competitive advantage is in our hardware. Our efficient roads, railways, telecommunications network, airport and port are unrivalled in this region.

These are advantages that are not easily replicated by other cities in the region. What we have to do is to ensure that we continue to build on these competitive advantages in order to take full advantage of globalisation. So we are confident that our role as an international financial centre, as a centre for logistics, for transport, for trade, for the clustering of international companies, and for tourism, is unique and remains as strong as ever.

We have set ourselves four major tasks to achieve this goal. First, we will consistently invest in human capital on a vast scale to form a deep, strong base of brainpower to support a knowledge economy with high value-added economic activities. We will vastly improve the quality of teaching and learning in our basic education system. We will further enhance our tertiary education system and make more places available for our young people who have the ability and the wish to pursue their studies. Our goal is to provide tertiary education options to 60% of our students within a decade. And we will do more to encourage a spirit of lifelong learning within the community. In this regard, we have set aside US\$640 million to provide funding support to those who invest in their own development through continuing education.

Second, we will continue to upgrade our hard and soft infrastructure and make Hong Kong an even more business-friendly city. Over the next 15 years we will spend more than US\$75 billion on projects to make Hong Kong a more efficient and greener city. A major focus will be on improving transport links to the Pearl River Delta, where there will be tremendous opportunities to further develop the very close economic links already in place. If you thought Hong Kong's infrastructure was good now, just wait to see what it is like within a decade. Hong Kong will be a vastly different and greatly superior city by 2010.

Third, to make Hong Kong even more business-friendly we are taking concrete steps that will bear results quickly. We will simplify business-relevant bureaucratic procedures. We will make it easier for foreign and Mainland companies to come to Hong Kong to set up offices and headquarters. We will make it easier and faster for multinationals and local companies to bring in talented foreign and mainland staff into Hong Kong. We are working with the Central authorities to simplify entry into China for business executives based in Hong Kong, as well as make it easier for Mainland business people to come to Hong Kong. We will set aside US\$240 million to help small and medium-sized enterprises, which are a vital part of our economy and major creators of jobs. This money

will seed four new funds to help boost training, open up markets, implement projects and programmes to lift competitiveness, and to purchase business equipment and appliances. SMEs are an integral and vital part of our economy.

Fourth, on the environmental front, our strong efforts over the past two years are achieving good results. Most diesel taxis have been replaced by cleaner LPG taxis. We are working closely with the transportation sector to reduce pollution from other diesel vehicles. These days, the air in Hong Kong is much cleaner. We will also be working more closely with our counterparts across the boundary to treat regional air pollution problems. Guangdong province and Hong Kong have agreed to reach a consensus by April next year on a joint plan to implement long-term measures to improve the air quality of the entire region. We are also embarking on an urban greening programme. Urban renewal is being given a shot in the arm with the setting up of a more powerful Urban Renewal Authority, which will push ahead with urban redevelopment at the same time that it strives to preserve important cultural heritage sites. We vow to make Hong Kong a better place to live for all our citizens and all the people that we want to attract to come to Hong Kong for recreation, to live and work or on business.

Ladies and gentlemen, we are at the beginning of a new century when the forces of globalisation will move on with even greater vigour. The advances in telecommunications and IT have narrowed the distances between places and we are closer than ever before. This promises enormous opportunities as well as challenges for every economy in the world. To stay competitive in this new global age and harness the forces of globalisation to our best advantage, we must continue to build up our strengths and identify our niche. The globalised new knowledge economy provides an infrastructure for us to co-operate with each other, to promote the free flow of people, knowledge and wealth, and to create a world of peace and shared prosperity. Hong Kong has long been a strong advocate of free trade and services. As a prime example of a free economy that has been benefited by globalisation, Hong Kong provides the ideal backdrop for an in-depth discussion on

the issue of managing globalisation in the new century for the benefit of all economies and peoples.

Ladies and gentlemen, last month I attended, for me, the 5th APEC meeting in Shanghai. It was a very successful meeting. There was enormous sense of common commitment, a shared vision as to how we move forward in future. And, indeed, as a group of leaders who represented more than 50 per cent of the world's GDP, the effectiveness of APEC had its making of a major difference as to how the world progresses. I want to tell you the input of PECC into APEC has been very instrumental in making APEC effective. PECC is a unique organisation, a partnership of three very important groups, the government, the business and the academic. Your intellectual input to APEC is particularly important and as we move forward into the 21st Century, I want to be sure that PECC would continue with the excellent work you have been doing, you have been contributing to APEC.

Before closing, I wish you all a very successful meeting and a very rewarding discussion in the next few days. I hope you will find time in your busy meeting schedules to experience the hospitality and also the vibrancy of our city.

Thank you.